



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARLAN COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Harlan County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process. Berger & Ross, PLLC, evaluated the Harlan County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARLAN COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT—2000 UNMINED COAL TAXES**

**September 30, 2001**

**Berger & Ross, PLLC**  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HARLAN COUNTY**  
**STEVE DUFF, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2000 TAXES AND 2000 UNMINED COAL TAXES**

**September 30, 2001**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement 2000 Unmined Coal Taxes for Harlan County Sheriff as of September 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$6,405,996 for the districts for 2000 taxes. Sheriff distributed taxes of \$6,404,436 to the districts for 2000 Taxes. Refunds of \$448 are due to the Sheriff from the taxing districts.

**Debt Obligations:**

None.

**Report Comments:**

None.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

**Subsequent Event:**

None.





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National Association of Government Accountants  
National Association of Public Accountants

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Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

#### Independent Auditor's Report

We have audited the Harlan County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 30, 2001. This tax settlement is the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Harlan County Sheriff's taxes charged, credited, and paid as of September 30, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
May 31, 2002

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

September 30, 2001

<u>Charges</u>	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 1,008,873	\$ 546,098	\$ 1,655,164	\$ 652,541
Tangible	298,119	137,398	337,391	338,806
Intangible	-	-	-	60,698
Fire Acreage	7,251	-	-	-
Supplements Bills	603	333	1,290	444
Omitted Tax Bills	1,331	721	2,924	1,206
Oil, Gas, UND, Sand, Lm, Gr.	853	462	1,675	552
Bank Shares	40,020			
Total Per Sheriff's Official Receipt	\$ 1,357,051	\$ 685,011	\$ 1,998,443	\$ 1,054,247
Other Taxes and Charges				
Correcting Erroneous Assessments	4,508	2,431	7,433	2,843
Penalties & Interest	14,866	7,894	23,754	10,629
Franchise Corporation	300,920	144,797	362,307	-
Gross Chargeable to Sheriff	\$ 1,677,344	\$ 840,133	\$ 2,391,936	\$ 1,067,719
<u>Credits</u>				
Exonerations	\$ 7,842	\$ 4,180	\$ 13,453	\$ 4,630
Delinquents	75,062	40,211	127,612	49,632
Unpaid Franchise	18,370	9,135	19,691	-
Discounts	18,042	8,870	25,341	14,760
Total Credits	\$ 119,315.82	\$ 62,395.32	\$ 186,096.11	\$ 69,022.47
Net Tax Yield	\$ 1,558,029	\$ 777,738	\$ 2,205,840	\$ 998,697
Less: Commissions*	66,504	33,054	88,234	42,732
Taxes Due Districts	\$ 1,491,525	\$ 744,684	\$ 2,117,607	\$ 955,965
Taxes Paid	1,491,295	744,604	2,205,597	955,962
Less: Refunds (Current & Prior Year)	279	104	587	33
Less: Commission Refunds From School			(88,234)	
		**		
Refund Due Sheriff				
as of Completion of Fieldwork	\$ (49)	\$ (24)	\$ (344)	\$ (31)

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES  
September 30, 2001  
(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	3,324,464
	4% on	\$	2,205,840
**Special Taxing Districts:			
Library District		\$	(8)
Health District			(6)
Extension District			(10)
Refunds Due Sheriff		\$	(24)

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES

September 30, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 280,585	\$ 152,551	\$ 550,201	\$ 181,479
Penalties	1,000	542	1,964	647
		-		
Gross Chargeable to Sheriff	\$ 281,585	\$ 153,093	\$ 552,166	\$ 182,126
		-		
<u>Credits</u>		-		
Exonerations	\$ 370	\$ 200	\$ 727	\$ 240
Delinquents	3,171	1,716	6,225	2,051
Discounts	2,604	1,423	5,099	1,684
		-		
Total Credits	\$ 6,145	\$ 3,340	\$ 12,051	\$ 3,974
		-		
Net Tax Yield	\$ 275,441	\$ 149,753	\$ 540,115	\$ 178,152
Less: Commissions*	11,706	6,363	21,605	7,571
		-		
Taxes Due Districts	\$ 263,734	\$ 143,390	\$ 518,510	\$ 170,581
Taxes Paid	263,734	143,390	518,510	170,581
Taxes Due Districts(Refund Due Sheriff)	\$ 0	\$ 0	\$ 0	\$ (0)

*Commissions:	4.25% on	\$ 603,346
	4% on	\$ 540,115

HARLAN COUNTY  
NOTES TO FINANCIAL STATEMENT

September 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 30, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.



HARLAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 30, 2001  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 21, 2000 through August 20, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 31, 2001 through August 20, 2001.

Note 4. Interest Income

The Harlan County Sheriff earned \$13,307 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Harlan County Sheriff collected \$44,072 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

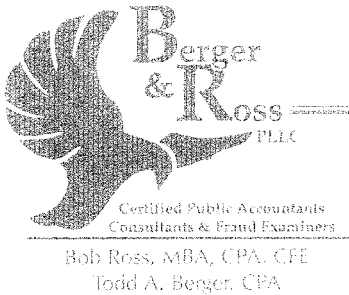
Note 6. Advertising Costs And Fees

The Harlan County Sheriff collected \$3,177 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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National Association of Tax Professionals  
Chartered Financial Analysts Association

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Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 30, 2001, and have issued our report thereon dated May 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harlan County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of September 30, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
May 31, 2002

